



General Assembly

***Substitute Bill No. 5018***

*February Session, 2000*

***An Act Concerning An Individual Development Account  
Program For Economic Growth.***

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1       Section 1. (NEW) As used in sections 1 to 9, inclusive, of this act and  
2       subsection (a) of section 12-217x of the general statutes, as amended by  
3       this act:

4       (1) "Account holder" means a participant in a certified individual  
5       development account program;

6       (2) "Department" means the Labor Department;

7       (3) "Approved plan" means a plan prepared jointly by the account  
8       holder and the community-based organization that defines savings  
9       goals, program requirements and permissible uses of the individual  
10      development account and its matching funds. The approved plan shall  
11      be a contract between the account holder and the community-based  
12      organization;

13      (4) "Area median income" means area median household income as  
14      determined from time to time by the United States Department of  
15      Housing and Urban Development;

16      (5) "Certified state IDA program" means a program of matched  
17      savings accounts that has been certified by the department as meeting

18 the purposes of this act in accordance with regulations adopted by the  
19 Labor Commissioner pursuant to section 8 of this act;

20 (6) "Clearinghouse" means a service within the department, or  
21 within a community-based organization under contract with the  
22 department to provide organizations interested in establishing  
23 individual development account programs with literature on federal,  
24 state and other sources of funding, guidelines for best practices and  
25 program standards, and information regarding the establishment and  
26 maintenance of certified state IDA programs;

27 (7) "Community-based organization" means an organization exempt  
28 from taxation pursuant to section 501(c)(3) of the Internal Revenue  
29 Code of 1986 or any subsequent corresponding internal revenue code  
30 of the United States, as from time to time amended, which meets the  
31 requirements set forth in regulations adopted by the Labor  
32 Commissioner in accordance with section 8 of this act;

33 (8) "Education and training" means (A) a postsecondary program of  
34 instruction provided by a college, university, community college, area  
35 vocational-technical school, professional institution or specialized  
36 college or school legally authorized to grant degrees, or (B) any job  
37 training or related educational program approved by the community-  
38 based organization and the department;

39 (9) "Entrepreneurial activity" means the purchase of or investment  
40 in a small business in Connecticut in which, upon such purchase or  
41 investment, the account holder will be a principal;

42 (10) "Federal poverty level" means the most recent poverty income  
43 guidelines published by the United States Department of Health and  
44 Human Services;

45 (11) "Financial institution" means a federal or Connecticut bank,  
46 savings bank, savings and loan association, or Connecticut credit  
47 union that is approved by the department for participation in the  
48 program;

49 (12) "Household" means all individuals who share use of a dwelling  
50 unit as primary quarters for living and eating separate from other  
51 individuals;

52 (13) "Individual development account" means a savings account,  
53 maintained in a program that is established pursuant to section 2 of  
54 this act or otherwise used for the purposes specified in subsection (a)  
55 of section 2 of this act, that is held in a financial institution or other  
56 institution approved by the department, for the sole purpose of  
57 holding the funds of the account holder for one of the purposes  
58 described in subsection (a) of section 2 of this act;

59 (14) "Individual Development Account Reserve Fund" means a  
60 nonlapsing fund administered by the department for the purposes of  
61 providing matching funds for individual development accounts in  
62 certified state IDA programs, and for funding costs incurred by  
63 community-based organizations in the operation and administration of  
64 such programs and department's administrative costs for the IDA  
65 initiative;

66 (15) "Connecticut IDA Initiative" means the state-wide individual  
67 development account initiative established in section 2 of this act;

68 (16) "Program contributor" means a person or entity, other than an  
69 account holder, that makes a contribution to the Individual  
70 Development Account Reserve Fund; and

71 (17) "Qualified disabled individual" means a disabled individual  
72 eligible for assistance to the disabled pursuant to chapter 319mm of the  
73 general statutes.

74 Sec. 2. (NEW) (a) There is hereby established the "Connecticut IDA  
75 Initiative." The initiative shall be managed and operated by the  
76 department. The initiative shall provide individuals as provided in  
77 section 3 of this act with an opportunity, through a certified state IDA  
78 program, to establish an individual development account from which  
79 funds may be used by the account holder for one of the following

80 purposes as provided for in the approved plan: (1) The costs of  
81 education and training; (2) the purchase of a home as a primary  
82 residence; (3) the participation in or development of a new or existing  
83 entrepreneurial activity; (4) the purchase of an automobile for the  
84 purpose of obtaining or maintaining employment; or (5) the making of  
85 a lease deposit on a primary residence.

86 (b) To implement the Connecticut IDA Initiative, the department  
87 shall: (1) Establish an Individual Development Account Reserve Fund  
88 in accordance with section 4 of this act; (2) establish and operate, or  
89 contract with a community-based organization to establish and  
90 operate, the clearinghouse; and (3) solicit, review, and accept or reject  
91 proposals from community-based organizations seeking to operate  
92 certified state IDA programs on a not-for-profit basis in accordance  
93 with regulations adopted by the Labor Commissioner pursuant to  
94 section 8 of this act.

95 (c) The department shall determine the maximum per cent of all  
96 funds received from the Individual Development Account Reserve  
97 Fund that may be used by a community-based organization operating  
98 a certified state IDA program for case management and other  
99 administrative purposes.

100 (d) The department shall develop, and the approved community-  
101 based organization shall follow, regulations, consistent with the  
102 requirements of this act and adopted in accordance with the provisions  
103 of chapter 54 of the general statutes, establishing guidelines for the  
104 individual development account program, including minimum  
105 requirements for approved plans and training and counseling for  
106 account holders.

107 Sec. 3. (NEW) (a) An individual who has earned income, and who is  
108 a member of a household whose adjusted gross income is not in excess  
109 of eighty per cent of the area median household income for the area  
110 where such individual resides, are eligible to participate in a certified  
111 state IDA program for the purpose of accumulating and withdrawing

112 moneys for purposes specified in subsection (a) of section 2 of this act;  
113 except that, if an individual does not have earned income solely due to  
114 a qualified disability, that individual shall not be excluded from  
115 program participation. An individual is eligible to participate in a  
116 certified state IDA program only if the aggregate market value of all  
117 assets that are owned in whole or in part by all members of the  
118 individual's household, exclusive of the primary dwelling unit and  
119 one motor vehicle owned by a member of the household, minus the  
120 obligations or debts of all members of the household, does not exceed  
121 an amount established pursuant to regulations adopted by the Labor  
122 Commissioner in accordance with section 8 of this act.

123 (b) Each community-based organization operating a certified state  
124 IDA program shall establish, through written governing instruments  
125 with a qualified financial institution: (1) A Trust or Custodial Account  
126 on behalf of each account holder in its program into which the account  
127 holder shall deposit savings, which accounts shall conform to the  
128 requirements of the federal Assets for Independence Act, Title IV of  
129 the Community Opportunities, Accountability, and Training and  
130 Educational Services Act of 1998; and (2) a separate local reserve fund  
131 into which the department shall deposit matching funds from the  
132 Individual Development Account Reserve Fund and the community-  
133 based organization shall deposit matching funds from any other  
134 source. The community-based organization shall certify to the  
135 department, on forms prescribed by the department and accompanied  
136 by any documentation required by the department, that such accounts  
137 have been established pursuant to the provisions of this act, and that  
138 deposits have been made to an account by or on behalf of the account  
139 holder. Financial institutions shall be eligible for credits under the  
140 Community Reinvestment Act of 1977, 12 USC Section 2901 et seq., for  
141 establishing individual development accounts under the program.

142 (c) A financial institution establishing a trust or custodial account on  
143 behalf of an individual development account holder in a certified state  
144 IDA program shall:

145 (1) Permit deposits to be made in the account by the account holder;

146 (2) Pay a market rate of interest on the account;

147 (3) Permit the account holder, with the consent of the community-  
148 based organization, to withdraw moneys from the account.

149 (d) The community-based organization shall determine and monitor  
150 the earned income levels of all account holders in its certified IDA  
151 program and shall use its best efforts to ensure that at least thirty per  
152 cent of such account holders have earned income at or below two  
153 hundred per cent of the federal poverty level.

154 Sec. 4. (NEW) (a) All amounts appropriated by the state for the  
155 Connecticut IDA Initiative shall be deposited in the Individual  
156 Development Account Reserve Fund, that shall be administered by the  
157 department. Funds from the Individual Development Account Reserve  
158 Fund shall be used to provide grants to community-based  
159 organizations that are operating certified state IDA programs for the  
160 purpose of providing matching funds for the individual development  
161 accounts in their programs. Funds may also be used to assist the  
162 organizations with expenses associated with training, counseling, and  
163 case management for program participants and the administration of  
164 their programs. Funds may also be used to pay for the evaluation  
165 required pursuant to subsection (b) of section 8 of this act, the  
166 operation of the clearinghouse, and the department's administrative  
167 expenses for the Connecticut IDA Initiative established by section 2 of  
168 this act. The department shall determine what proportion of the funds  
169 in the Individual Development Account Reserve Fund shall be used  
170 for each of these purposes. The matching funds from the Individual  
171 Development Account Reserve Fund are provided as incentives for  
172 account holders to make timely deposits to their individual  
173 development accounts.

174 (b) The Individual Development Account Reserve Fund shall be  
175 administered as follows:

176 (1) The department shall deposit proceeds from grants, donations,  
177 contributions, appropriations, and any other sources of revenue to the  
178 state in the Individual Development Account Reserve Fund.

179 (2) The department shall make grants from said fund to community-  
180 based organizations operating certified state IDA programs to provide  
181 matching funds for account holders and, as appropriate, funds to assist  
182 such organizations in providing training, counseling, and case  
183 management to account holders. No new grant shall be approved by  
184 the department unless there is sufficient funding in the Individual  
185 Development Account Reserve Fund, as determined by the  
186 department, to meet all existing funding obligations including the  
187 maximum amount of state matching funds that would be required if  
188 each account holder in these certified programs met the savings goal in  
189 such amount holder's approved plan.

190 (3) Any funds remaining in the Individual Development Account  
191 Reserve Fund at the end of each fiscal year, and the interest thereon,  
192 shall be retained in said fund and used in the next succeeding fiscal  
193 year for making matching fund grants, paying for evaluation expenses  
194 required pursuant to subsection (b) of section 8 of this act, and paying  
195 for other administrative expenses for the Connecticut IDA Initiative  
196 established by section 2 of this act.

197 (c) Grants received by the community-based organization from the  
198 Individual Development Account Reserve Fund for matching funds  
199 shall be held in the organization's local reserve fund. This fund shall be  
200 an account separate from account holders' accounts, and its funds shall  
201 be disbursed in accordance with subsection (f) of section 4 of this act  
202 pursuant to regulations adopted by the Labor Commissioner in  
203 accordance with section 8 of this act. Grants from the Individual  
204 Development Account Reserve Fund for matching funds to certified  
205 state IDA programs shall be made on behalf of each individual account  
206 holder in the maximum amount of two dollars for every one dollar  
207 deposited in the individual development account by the account  
208 holder, not to exceed one thousand dollars of such matching funds per

209 account holder for any calendar year and three thousand dollars per  
210 account holder for the duration of the program.

211 (d) The department and the community-based organizations,  
212 separately or cooperatively, may solicit grants and private  
213 contributions for the Individual Development Account Reserve Fund  
214 and for the local reserve funds of community-based organizations  
215 operating certified state IDA programs.

216 (e) If moneys are withdrawn from an individual development  
217 account by an account holder which are not withdrawn for the savings  
218 goals specified in the account holder's approved plan, all matching  
219 funds for those deposits from the Individual Development Account  
220 Reserve Fund shall be forfeited by the account holder and, by  
221 December thirty-first each year, returned by the community-based  
222 organization to the department for redeposit into the Individual  
223 Development Account Reserve Fund; except that, if the withdrawal is  
224 due to circumstances other than an account holder's withdrawal from  
225 the program, the community-based organization may retain the  
226 matching funds for the account holder in its local reserve fund until  
227 such account holder redeposits the withdrawn funds or withdraws  
228 from the program, in accordance with the regulations adopted by the  
229 Labor Commissioner pursuant to section 8 of this act.

230 (f) When the account holder has made sufficient deposits to such  
231 account holder's individual development account to achieve the  
232 savings goal set in such account holder's approved plan, the  
233 community-based organization shall pay this sum, together with the  
234 matching funds from the organization's local reserve account that are  
235 attributed to this individual development account, directly to the  
236 person or entity providing the goods or services. Matching funds from  
237 the Individual Development Account Reserve Fund that have not been  
238 paid out by the community-based organization for an eligible purpose  
239 within five years after the opening of an individual development  
240 account shall be returned to the department for deposit in the  
241 Individual Development Account Reserve Fund, except that the



242 community-based organization may grant a leave of absence or  
243 extension of time to an account holder for a period not to exceed two  
244 years, in accordance with regulations adopted by the Labor  
245 Commissioner pursuant to section 8 of this act.

246       Sec. 5. (NEW) All funds deposited into an individual development  
247 account on behalf of an account holder in a certified state IDA program  
248 from any source other than from the account holder, all matching  
249 funds deposited into the local reserve fund for the benefit of the  
250 account holder, all funds withdrawn from such an account, and all  
251 earnings on such deposited and matching funds, are excluded from  
252 Connecticut taxable income for purposes of determining the income  
253 tax imposed under chapter 229 of the general statutes, except that  
254 distributions of accumulated interest on the funds in an account  
255 holder's account shall be included in Connecticut taxable income in the  
256 year of withdrawal if such funds are used for a purpose other than that  
257 allowed in the approved plan.

258       Sec. 6. (NEW) Notwithstanding any other provision of state law,  
259 funds deposited into, held in, credited to, or withdrawn from an  
260 individual development account for a purpose consistent with the  
261 approved plan, including accrued interest, shall be excluded in the  
262 determination of eligibility for, or the benefit level of, any needs-based  
263 program using state or joint federal and state funding.

264       Sec. 7. (NEW) The department shall evaluate the Connecticut IDA  
265 Initiative for each fiscal year ending June thirtieth. Based on such  
266 evaluation, the department shall provide a comprehensive report on  
267 the initiative to the speaker of the House of Representatives and the  
268 president pro tempore of the Senate by February first of the year  
269 following the end of each fiscal year, beginning for the fiscal year  
270 ending June 30, 2001.

271       Sec. 8. (NEW) (a) The Labor Commissioner, after consultation with  
272 the State Treasurer shall, in accordance with chapter 54 of the general  
273 statutes, adopt such regulations as are necessary and reasonable to

274 implement and administer the Connecticut IDA Initiative established  
275 by section 2 of this act. Said regulations shall establish standards and  
276 guidelines, consistent with the provisions of sections 1 to 9, inclusive,  
277 of this act and subsection (a) of section 12-217x of the general statutes,  
278 as amended by this act, for certified state IDA programs, including: (1)  
279 Income and asset eligibility requirements for account holders; (2)  
280 permissible IDA account savings goals for certified programs; (3) the  
281 services that each state certified program must provide to assist its  
282 account holders in meeting their savings goals including credit history  
283 assessments, assistance in credit repair, general financial education  
284 and asset-specific training, on-going case-management and other  
285 support services; (4) procedures and timelines for establishment of  
286 savings accounts within qualified financial institutions and for the  
287 deposit of funds into individual savings accounts, the department's  
288 Individual Development Account Reserve Fund, and local reserve  
289 funds maintained by certified community-based organizations; (5)  
290 allowable uses of matching funds from the Individual Development  
291 Account Reserve Fund and procedures for the making of grants from  
292 such fund; (6) procedures and permissible reasons for emergency  
293 withdrawals of funds from individual accounts and leaves of absence  
294 from the program; (7) accounting and financial reporting procedures  
295 required of all certified community-based organizations; (8) required  
296 content of and deadlines for all program and evaluation reports by  
297 community-based organizations to the department; (9) required  
298 components of the approved plan between the account holder and the  
299 community-based organization, including but not limited to, savings  
300 goals, matching rates, required participation in education and training,  
301 contingency plans if the account holder fails to meet projected savings  
302 goals or schedules, savings withdrawal procedures and limitations,  
303 procedures for withdrawing from the program, provision for the  
304 disposition of funds in the event of the account holder's death, and  
305 provision for amendment of the plan with the concurrence of the  
306 account holder and the organization.

307 (b) Such regulations shall specify the process by which the

308 department shall solicit proposals from community-based  
309 organizations to operate certified state IDA programs, and the criteria  
310 and process that shall be used by the department in granting state  
311 certification and determining the number of individual development  
312 accounts eligible for matching funds from the Individual Development  
313 Account Reserve Fund. Criteria that shall be used in granting state  
314 certification and in allocating funds from the Individual Development  
315 Account Reserve Fund to certified state IDA programs shall include  
316 but not be limited to the community-based organization's level of  
317 competence in meeting all financial and programmatic requirements of  
318 a certified state IDA program and the fiscal capacity of the  
319 organization to meet all financial obligations of the program. Funds  
320 from the Individual Development Account Reserve Fund shall, to the  
321 extent possible, be allocated by the department so as to provide  
322 eligible account holders in different areas of the state with comparable  
323 access to matching funds from the Individual Development Account  
324 Reserve Fund.

325       Sec. 9. (NEW) Nothing in sections 1 to 9, inclusive, of this act and  
326 subsection (a) of section 12-217x of the general statutes, as amended by  
327 this act, shall preclude a community-based organization or other entity  
328 from establishing an individual development account program and  
329 receiving matching funds from sources other than the Individual  
330 Development Account Reserve Fund established under sections 1 to 9,  
331 inclusive, of this act and subsection (a) of section 12-217x of the general  
332 statutes, as amended by this act.

333       Sec. 10. Subsection (a) of section 12-217x of the general statutes is  
334 repealed and the following is substituted in lieu thereof:

335       (a) For purposes of this section, "human capital investment" means  
336 the amount paid or incurred by a corporation on (1) job training which  
337 occurs in this state for persons who are employed in this state; (2) work  
338 education programs in this state including, but not limited to,  
339 programs in public high schools and work education-diversified  
340 occupations programs in this state; (3) worker training and education

341 for persons who are employed in this state provided by institutions of  
342 higher education in this state; (4) donations or capital contributions to  
343 institutions of higher education in this state for improvements or  
344 advancements of technology, including physical plant improvements;  
345 (5) planning, site preparation, construction, renovation or acquisition  
346 of facilities in this state for the purpose of establishing a day care  
347 facility in this state to be used primarily by the children of employees  
348 who are employed in this state; [and] (6) subsidies to employees who  
349 are employed in this state for child care to be provided in this state;  
350 and (7) contributions made to the Individual Development Account  
351 Reserve Fund within the Labor Department, except that contributions  
352 by financial institutions shall not be eligible for said credit.

353 Sec. 11. This act shall take effect from its passage, except that  
354 sections 1, 2, 3, 5, 6, 7, 9 and 10 shall take effect October 1, 2000.

**BA Committee Vote:** Yea 18 Nay 0 JFS C/R LAB

**LAB Committee Vote:** Yea 13 Nay 0 JFS C/R FIN

**FIN Committee Vote:** Yea 47 Nay 0 JF C/R APP